CHINA VEHICLE COMPONENTS TECHNOLOGY HOLDINGS LIMITED
中國車輛零部件科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1269)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

HIGHLIGHTS

(RMB' million)	For the six months ended 30 June 2013 (unaudited)	2012 (unaudited)	Increase
Revenue	286.06	215.74	32.6%
Profit for the period attributable to owners of the Company	15.50	2.39	548.5%
Basic earnings per share	RMB0.05	RMB0.01	500.0%

(RMB' million)	As at 30 June 2012	As at 31 December 2012	Increase
Total assets	1,188.68	945.39	25.7%
Equity attributable to owners of the Company	363.70	281.54	29.2%
Net asset value per share *(note)*	RMB0.95	RMB0.88	8.0%

Note: Net asset value per share is arrived at by dividing equity attributable to owners of the Company by the number of issued shares as at the end of the period.

INTERIM RESULTS

The Board (the "**Board**") of Directors (the "**Directors**") of China Vehicle Components Technology Holdings Limited (the "**Company**") is pleased to announce the unaudited interim consolidated results for the six months ended 30 June 2013 of the Company and its subsidiaries (collectively, the "**Group**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended	
	NOTES	**30.6.2013**	30.6.2012
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**286,056**	215,743
Cost of sales		**(227,296)**	(175,630)
Gross profit		**58,760**	40,113
Other income, other gains and losses	*4*	**12,602**	9,475
Selling and distribution expenses		**(15,267)**	(12,559)
Research and development expenditure		**(7,268)**	(7,076)
Administrative expenses		**(24,454)**	(19,954)
Finance costs		**(6,513)**	(6,461)
Profit before tax	*5*	**17,860**	3,538
Taxation	*6*	**(2,365)**	(1,147)
Profit for the year		**15,495**	2,391
Other comprehensive expense			
Item that will not be reclassified to profit or loss			
Exchange difference arising on translation		**377**	–
Profit and total comprehensive income for the period attributable to owners of the Company		**15,872**	2,391
Earnings per share – Basic (RMB)	*8*	**0.05**	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013

	NOTES	**30.6.2013**	31.12.2012
		RMB'000	*RMB'000*
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**408,120**	373,894
Prepaid lease payments		**137,957**	135,746
Deposits paid for acquisition of land use rights		**–**	3,650
Deposits for acquisition of property, plant and equipment		**1,379**	3,678
Intangible assets		**636**	861
Goodwill		**29,655**	29,655
Trade receivables – non-current portion		**4,315**	10,053
Deferred tax assets		**3,116**	3,807
		585,178	561,344
CURRENT ASSETS			
Inventories		**82,491**	79,548
Trade and other receivables	*10*	**251,081**	230,305
Prepaid lease payments		**2,970**	2,894
Restricted bank balances		**85,000**	45,000
Bank balances and cash		**181,960**	26,300
		603,502	384,047
CURRENT LIABILITIES			
Trade and other payables	*11*	**342,358**	279,161
Advance from customers		**2,271**	3,246
Borrowings – due within one year	*12*	**308,003**	272,153
Income tax payable		**17,295**	17,082
Deferred income		**868**	928
Provisions		**4,289**	7,454
		675,084	580,024
NET CURRENT LIABILITIES		**71,582**	195,977
TOTAL ASSETS LESS CURRENT LIABILITIES		**513,596**	365,367

	NOTES	30.6.2013	31.12.2012
		RMB'000	*RMB'000*
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Borrowings – due after one year	*12*	**140,860**	74,000
Other payables		**1,258**	1,496
Deferred income		**7,775**	8,332
		149,893	83,828
TOTAL ASSETS LESS TOTAL LIABILITIES		**363,703**	281,539
OWNERS' EQUITY			
Share capital	*13*	**31,318**	26,217
Reserves		**332,385**	255,322
		363,703	281,539

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2013

			Reserves				
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserves** *RMB'000*	**Surplus reserves** *RMB'000*	**Translation reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total owners' equity** *RMB'000*
At 1 January 2012 (audited)	26,217	125,271	42,917	19,392	–	60,527	274,324
Profit and total comprehensive income for the period	–	–	–	–	–	2,391	2,391
As at 31 June 2012 (unaudited)	26,217	125,271	42,917	19,392	–	62,918	276,715
Profit and total comprehensive income for the period	–	–	–	–	–	5,031	5,031
Exchange difference arising in translation	–	–	–	–	(207)	–	(207)
Appropriations	–	–	–	1,377	–	(1,377)	–
As at 31 December 2012 (audited)	26,217	125,271	42,917	20,769	(207)	66,572	281,539
Profit for the period	–	–	–	–	–	15,495	15,495
Exchange difference arising on translation	–	–	–	–	377	–	377
Profit and total comprehensive income for the period	–	–	–	–	377	15,495	15,872
Issue of new shares *(Note)*	5,101	61,191	–	–	–	–	66,292
As at 30 June 2013 (unaudited)	31,318	186,462	42,917	20,769	170	82,067	363,703

Note: On 22 May 2013, 64,000,000 shares of HK$0.10 each of the Company, amounting to HK$6,400,000 (approximately RMB5,101,000), were issued at HK$1.30 per share by way of placing.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**71,717**	3,110
INVESTING ACTIVITIES		
Additions of property, plant and equipment	**(30,759)**	(50,077)
Deposit paid for acquisition of property, plant and equipment	**(1,379)**	(1,255)
Placement of restricted bank deposits	**(85,000)**	(53,000)
Release of restricted bank deposits	**45,000**	41,985
Other investing cash flows	**1,166**	495
NET CASH USED IN INVESTING ACTIVITIES	**(70,972)**	(61,852)
FINANCING ACTIVITIES		
Interest paid	**(14,087)**	(12,111)
New borrowings raised	**239,850**	100,000
Proceeds from issue of new shares	**66,292**	–
Repayment of borrowings	**(137,140)**	(121,053)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**154,915**	(33,164)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**155,660**	(91,906)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**26,300**	122,621
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	**181,960**	30,715

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

As at 30 June 2013, the Group had net current liabilities of approximately RMB71,582,000. The Directors are of the opinion that, taking into account the presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements that is for at least the next twelve months commencing from the date of the condensed consolidated financial statements. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revision to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period. The accounting policy in respect of 'Basis of Consolidation" has been changed pursuant to the adoption of HKFRS 10:

The condensed consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company (its subsidiary). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The application of these new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(a) Products within each operating segment

The segment information reported was determined by the types of products and the types of customers to which the products are sold, which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, who are the chief operating decision makers (the "CODM") of the Group, for the purposes of resource allocation and assessment of performance.

The Group has two operating segments as follows:

- OEM Market ("OEM") – manufacturing and selling of automobile shock absorber and suspension system products to the automobile market of original automobile manufacturers.

- Automobile Aftermarket – manufacturing and selling of automobile shock absorber and suspension system products to the secondary market of the automobile industry.

(b) Segment revenue and segment results

	Segment revenue Six months ended		**Segment results Six months ended**	
	30.6.2013	30.6.2012	**30.6.2013**	30.6.2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
OEM	**254,509**	194,099	**49,938**	34,236
Automobile Aftermarket	**31,547**	21,644	**8,822**	5,877
Total segment and consolidated	**286,056**	215,743	**58,760**	40,113
Other income, other gains and losses			**12,602**	9,475
Selling and distribution expenses			**(15,267)**	(12,559)
Research and development expenditure			**(7,268)**	(7,076)
Administrative expenses			**(24,454)**	(19,954)
Finance costs			**(6,513)**	(6,461)
Profit before tax			**17,860**	3,538

Revenue reported above represents revenue generated from sales of goods to external customers. There was no inter-segment sales during the six months ended 30 June 2012 and 2013.

Segment results represent the gross profit of each operating segment, conforming to the same measurement reported to the CODM for the purposes of resources allocation and performance assessment.

(c) Geographical information

The Group principally operates in the People's Republic of China (the "**PRC**") (country of domicile of the operating subsidiaries) and all of the revenue reported above are generated from external customers within the PRC.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Donation	**(1,532)**	(75)
Government grants *(note)*	**3,500**	5,000
Gain from scrap sales	**1,916**	2,073
(Loss) gain on disposal of property, plant and equipment	**(30)**	133
Income from suppliers on defects claim	**55**	33
Interest income from bank deposits	**1,122**	655
Others	**1,196**	52
Rental income	**1,000**	2,500
Less: direct operating expenses	**(1,662)**	(2,191)
	(662)	309
Reversal of allowance for doubtful debts	**5,812**	–
Release of asset-related government grants	**617**	820
Storage services income	**608**	475
	12,602	9,475

Note: The grants of RMB3,500,000 received during the six months ended 30 June 2013 are subsidy on certain research activities received by a group entity for facilitating local technology breakthrough. For the six months ended 30 June 2012, the amount represents incentives received by a group entity for eminent contribution in promoting its business and market publicity. These grants are accounted for as immediate financial support with no future related costs expected to be incurred nor related to any assets.

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Employee benefits expenses (including directors):		
– salaries and other benefits	**29,173**	22,741
– retirement benefit scheme contributions	**5,663**	4,524
Total staff costs	**34,836**	27,265
Auditor's remuneration	**402**	410
Amortisation of intangible assets (included in administrative expenses)	**225**	225
Cost of inventories recognised as expenses *(note)*	**226,276**	172,691
Depreciation of property, plant and equipment	**7,825**	7,643
Provision for obsolete and slow-moving inventories	**1,210**	–
Release of prepaid lease payments	**1,363**	1,097

Note: The amount includes provision for obsolete and slow-moving inventories of RMB1,210,000 (six months ended 30 June 2012: nil).

6. TAXATION

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Tax expense comprises:		
Current tax expense	**1,674**	1,642
Deferred tax expense (credit)	**691**	(495)
	2,365	1,147

7. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2013 and 2012. The directors of the Company have determined that no dividend will be declared in respect of the six months ended 30 June 2013.

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2013	30.6.2012
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share (RMB'000)	**15,495**	2,391
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**334,143,646**	320,000,000

No diluted earnings per share are presented as there was no potential ordinary share outstanding during the periods or as at the end of reporting periods.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment, other than construction in progress, amounting to approximately RMB5,674,000 (six months ended 30 June 2012: approximately RMB10,794,000) for the purpose of upgrading its manufacturing capacity.

In addition, during the current interim period, the Group had approximately RMB36,360,000 (six months ended 30 June 2012: approximately RMB117,134,000) addition to construction in progress, including approximately RMB7,597,000 (six months ended 30 June 2012: approximately RMB4,278,000) interests capitalised, in relation to new plant facilities in the PRC.

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**221,975**	211,452
Less: allowance for doubtful debts	**(7,262)**	(13,074)
	214,713	198,378
Bills receivables	**2,000**	12,407
Other receivables (note)	**38,557**	28,560
Less: Allowance for doubtful other debts	**(4,117)**	(5,117)
	34,440	23,443
Advances to suppliers	**2,284**	4,492
Value-added tax recoverables	**1,959**	1,638
	255,396	240,358
Less: Trade receivables shown under non-current assets	**(4,315)**	(10,053)
	251,081	230,305

The Group generally allows an average credit period of 90 days to its trade customers. The following is an analysis of trade receivables by age, presented based on invoice date which approximated the date of revenue recognition, net of allowance for doubtful debts, at the end of each reporting period, is as follows:

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**186,466**	172,678
91 to 180 days	**17,005**	15,647
181 to 365 days	**1,189**	10,053
Over 1 year	**10,053**	–
	214,713	198,378

The ageing of bills receivables, presented based on receipt date, is as follows:

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**2,000**	12,407

11. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**181,873**	188,488
Bills payables	**129,380**	60,350
Other payables	**3,858**	5,178
Other payables to employees	**2,209**	2,186
Other tax payable	**10,934**	12,088
Other accruals	**3,381**	4,287
Payroll and welfare payables	**11,981**	8,080
	343,616	280,657
Less: Amount shown under non-current liabilities	**(1,258)**	(1,496)
Total trade and other payables shown under current liabilities	**342,358**	279,161

The following is an analysis of trade payables by age, presented based on invoice date at the end of the reporting periods:

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 90 days	**148,927**	163,634
91–180 days	**29,889**	20,799
181–365 days	**1,289**	2,197
1–2 years	**1,768**	1,858
	181,873	188,488

The following is an analysis of bills payables by age, presented based on issuance date at the end of each reporting period:

	30.6.2013	31.12.2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days	**14,480**	11,980
31 to 60 days	**20,100**	19,170
61 to 90 days	**59,800**	29,200
91 to 180 days	**35,000**	–
	129,380	60,350

12. BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB239,850,000 (six months ended 30 June 2012: RMB100,000,000) carrying interest at variable market rates ranging from 6.00% to 6.66% (six months ended 30 June 2012: 6.10% to 6.89%) per annum and are repayable throughout to December 2017. The proceeds were used to finance the acquisition and construction of new plant facilities and used for working capital and other general purposes.

13. SHARE CAPITAL

	Number of shares	Share capital *HK$*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 30 June 2013	10,000,000,000	1,000,000,000
Issued and fully paid:		
At 1 January 2012 and 31 December 2012 (audited)	320,000,000	32,000,000
Issue of shares *(note)*	64,000,000	6,400,000
At 30 June 2013 (unaudited)	384,000,000	38,400,000

	30.6.2013 ***RMB'000*** **(unaudited)**	31.12.2012 *RMB'000* (audited)
Share capital presented in condensed consolidated statement of financial position	**31,318**	26,217

Note:

On 22 May 2013, 64,000,000 shares of HK$0.10 each of the Company, amounting to HK$6,400,000 (approximately RMB5,101,000), were issued at HK$1.30 per share by way of placing. The new shares rank pari passu with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Engaged in the research and development, design, manufacturing and sale of various automobile shock-absorbers, the Group has over 50 years of history and experience in the automobile industry. After years of development, the Group has become a leading independent supplier of automobile shock-absorbers in the PRC and has established stable and long-term business relationships with leading automobile manufacturers in the PRC, including FAW-Volkswagen, Chery, Haima Auto, Dongfeng Automobile, Beijing Automobile, Changan Automobile, Chongqing Lifan, Geely, Jianghuai Automobile, SAIC Motor and Dongfeng Peugeot.

MARKET REVIEW

Despite the slowdown of the macro-economy of the PRC and the continuously sluggish external economic environment, the growth of automobile sales in the PRC remained steady in 2013. During the six months ended 30 June 2013, the sales volume of automobiles in the PRC achieved approximately 10,782,200 units, representing an increase of approximately 12.34% over the corresponding period of 2012 (Source: China Association of Automobile Manufacturers http://www.caam.org.cn/zhengche/20130710/1605095460.html). With close links to the automobile manufacturing industry, the automotive component industry was affected accordingly. As we continuously managed simultaneous research and development of products with automobile manufacturers over the years, we achieved new orders for components from some automakers. Meanwhile, domestic consumer price index in the PRC has been increasing recently along with rising costs for labour and raw materials to different extents, which put the Group under pressure in terms of costs.

The Group's main products are shock-absorbers for various types of vehicles and are mainly sold to domestic OEM and domestic after-sales market customers. The Group is well-known for its diversified and comprehensive product portfolio which covers a wide range of car types. The Group's current suite of automobile shock-absorber products comprises eleven series, with more than 200 product models. In January 2013, the Group was awarded again the honorable designation of national high and new technology enterprise. With two major production bases in Xichuan County, Nanyang City, Henan Province in the PRC consisting a total of 15 production lines, the Group's annual production capacity can reach 15 million units of automobile shock-absorbers. The Group sold approximately 2,550,000 units of automobile shock-absorbers for the six months ended 30 June 2013, representing an increase of 26.0% when compared to that of the corresponding period of last year. The Group's operating revenue amounted to RMB286.1 million, representing an increase of 32.6% when compared to that of the corresponding period of last year. Profit attributable to shareholders amounted to RMB15.50 million, representing an increase of 548.5%. Basic earnings per share amounted to approximately RMB0.05. In terms of principal business segments, domestic OEM business achieved a sales income of RMB254.5 million, accounting for 89% of the total income, while the domestic automobile after-sales market business achieved a sales income of RMB31.5 million, accounting for 11% of the total income.

DOMESTIC OEM MARKET

For the six months ended 30 June 2013, as the domestic automobile industry maintained a steady growth, the orders for our certain new products started to increase as a result of our cooperative development with several automobile manufacturers. For the six months ended 30 June 2013, the Group's sales volume of shock-absorbers in the domestic OEM market reached 2,129,000 units, representing an increase of 21.5% when compared to that of the corresponding period of 2012. Under this circumstance, the Group's sales income derived from the domestic OEM market for the six months ended 30 June 2013 amounted to RMB254.5 million, representing an increase of 31.1% when compared to that of the corresponding period of 2012.

DOMESTIC AFTER-SALES MARKET

The Group has been devoting more efforts to expand its after-sales market by actively widening its customer base in its after-sales market and developing new products. The Group therefore achieved a decent growth in the domestic after-sales market. For the six months ended 30 June 2013, the Group's sales income derived from the domestic after-sales market amounted to RMB31.5million, representing an increase of 45.8% over the corresponding period of 2012, which was mainly driven by the growth in sales volume. For the six months ended 30 June 2013, the Group's sales volume generated from the after-sales market was approximately 421,000 units, up by approximately 54.4% over the corresponding period of 2011.

OUTLOOK

The automobile market in the PRC sped up its growth since 2013 after a prolonged slowdown in 2011 and 2012. In order to maintain a steady and moderate economic growth, the PRC Government has continued to implement strategic measures to stimulate domestic demand, and continues to adjust the structures of the relevant businesses based on its industrial revitalization plan. As one of the ten industries under the industrial revitalization plan, the organizational structure of the automobile industry will be optimized and improved, thereby driving the consumption of automobiles as well as facilitating the recovery and long-term development of the domestic automobile market. The Group is confident about the prospects of the automobile industry in the PRC.

Looking ahead, the Group will continue to focus on its business in the domestic OEM market in the PRC to reinforce its current leading position in the industry. Meanwhile, it will rapidly increase its market share in the domestic after-sales market and aggressively expand into overseas markets. It is the Group's long-term strategy to develop and strengthen its leading position in the international OEM market and the domestic after-sales market.

The Group aims to achieve these objectives by implementing the following strategies:

(i) Expanding production facilities and enhancing production technologies and efficiency

In order to cope with its plan to expand the product range, market share and new business coverage, the Group managed to expand its production facilities and enhance production capacity through staged construction and investment. Currently, the Group initially owns 15 production lines with an annual production capacity of approximately 15,000,000 units of automobile shock-absorbers. Meanwhile, the Group also increases the ancillary production capacity of major components such as piston rods, storage tanks and working cylinders so as to maintain its production quality and cost advantage as well as minimize its dependence on component suppliers.

(ii) Gaining new customers and opening up new market segments to increase market share

On one hand, the Group will continue to supply quality, reliable and high-standard products to the existing key customers and further strengthen the cooperation with an aim to be qualified to supply those customers with shock-absorbers for new car models, thus increasing its market share in the PRC. On the other hand, the Group will continue to capture new customers, including overseas OEMs who purchase automobile parts and components in the PRC.

At the end of 2012, the civil automobile ownership in the PRC was already over 120,000,000 (source: National Bureau of Statistics of the People's Republic of China http://www.stats.gov.cn/tjgb/ndtjgb/qgndtjgb/t20130221_402874525.htm). The lifetime of automobile shock-absorbers is generally around two years. Accordingly, it is expected that the demand for shock-absorbers in the automobile after-sales market would be significant. For the six months ended 30 June 2013, the sales amount in the automobile after-sales market accounted for approximately 11% of the Group's revenue. The Group will continuously strive to develop the automobile after-sales market and further rapidly push up its market share therein by establishing a nationwide distribution network.

(iii) Enhancing the standard of research and development and technologies to strengthen competitiveness

The Group has obtained approval from the Henan Province Science and Technology Department (河南省科學技術廳) to establish the Technology Research Centre for Shock Absorbers Engineering in Henan Province (河南省汽車減振器工程技術研究中心). Pursuant to the approval, the Group will establish a new domestic R&D centre in the second half of 2013. In December 2012, the Group's overseas R&D centre in Europe was duly put into operation in Asti, Italy. The Group believes that establishing R&D centres in both the PRC and Europe simultaneously will not only substantially enhance its overall R&D capabilities and technologies, but also build up its reputation and improve its corporate image as well as the popularity of its products in the PRC, Europe and North America.

(iv) Maintaining cost advantages

The Group will strive to capitalize on the effectiveness of the economies of scale for more flexible procurement terms and lower procurement costs through optimizing the scale of production and product R&D. Meanwhile, the Group will maintain its edges on production cost and raise profit margin by improving its capability and standard of key component production through upgraded production lines, higher level of automation and simplified production processes, and improving the capability and level of self-production of key components, thus strengthening its profitability on an ongoing basis.

(v) Developing the shock absorber market for railway transportation (high speed rails)

Along with the PRC's rapid economic growth over the years, railway transportation in the PRC has made remarkable achievements, bringing huge potential to the development of railway shock-absorber market, especially high speed rails which have higher demand for shock absorbers. Through years of R&D and testing, a trial run of railway shock-absorbers developed by the Group was completed. Currently, the Group is proactively seeking to obtain approvals from relevant authorities to become a qualified supplier and repairer of railway shock-absorbers.

The Group strongly believes that by implementing the above strategies, it will be able to further strengthen its competitive edges and consolidate its leading position in the market, which will in turn satisfy the rising demand and increasingly stringent product requirements from customers, grasp the growth opportunities arising from market changes, and create long-term value for shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2013, the Group's revenue increased by 32.6% to RMB286.1 million from RMB215.7 million in the corresponding period of 2012, of which revenue from the OEM market rose by 31.1% to RMB254.5 million from RMB194.1 million in the corresponding period of 2012. Revenue generated from the automobile aftermarket jumped by 45.8% to RMB31.5 million from RMB21.6 million in the corresponding period of 2012. Such increase was primarily due to the Group's continuous efforts to cope with the simultaneous product development with automobile manufacturers and strive to explore sales in the after-sales market in an active manner.

The table below shows an analysis of the Group's sales volume, average selling price and revenue by its business segments for each of the six months ended 30 June 2013 and 2012:

For the six months ended 30 June 2013	**Sales volume** *(Units)*	**Average selling price** *(RMB)*	**Revenue** *(RMB'000)*
OEM market	2,128,753	120	254,509
Automobile after-sales market	421,266	75	31,547
Total	2,550,019		286,056

For the six months ended 30 June 2012	**Sales volume** *(Units)*	**Average selling price** *(RMB)*	**Revenue** *(RMB'000)*
OEM market	1,751,488	111	194,099
Automobile after-sales market	272,904	79	21,644
Total	2,024,392		215,743

Cost of sales

During the six months ended 30 June 2013, the Group's cost of sales increased by 29.4% to RMB227.3 million from RMB175.6million in the corresponding period of 2012, of which cost of sales for the OEM market increased by 28.0% to RMB204.6 million from RMB159.9 million in corresponding period of 2012. Such increase was mainly due to more sales volume and higher production cost. Cost of sales for the automobile after-sales market increased by 44.6% to RMB22.7 million from RMB15.7 million in corresponding period of 2012. Such increase was in line with the growth of business and increase in revenue in the automobile after-sales market.

Gross profit

During the six months ended 30 June 2013, the overall gross profit increased by 46.6% to RMB58.8 million from RMB40.1 million as at the corresponding period of 2012.

Gross profit for the OEM market

The gross profit of the Group increased by 45.9% from RMB34.2 million to RMB49.9 million. Such increase was mainly due to an increase in sales revenue.

Gross profit for the automobile aftermarket

The gross profit of the Group surged by 49.2% from RMB5.9 million to RMB8.8 million. Such increase was mainly due to a significant increase in the revenue in the automobile after-sales market.

The table below shows an analysis of the Group's revenue, gross profit and gross profit margin by its business segments for the six months ended 30 June 2013 and 2012:

For the six months ended 30 June 2013	**Revenue** *(RMB'000)*	**Gross profit** *(RMB'000)*	**Gross profit margin**
OEM market	254,509	49,938	19.6
Automobile after-sales market	31,547	8,822	28.0
Total	286,056	58,760	20.5

For the six months ended 30 June 2012	**Revenue** *(RMB'000)*	**Gross profit** *(RMB'000)*	**Gross profit margin**
OEM market	194,099	34,236	17.6
Automobile after-sales market	21,644	5,877	27.2
Total	215,743	40,113	18.6

Gross profit margin

For the six months ended 30 June 2013, the overall gross profit margin increased by 1.9 percentage points to 20.5% from 18.6% in the corresponding period of 2012. Such increase was mainly due to the gross profit margin of our products in the OEM market benefitted from an increase in sales volume and an adjustment on product structure.

Other income and expenses, other gains and losses

The other income and expenses, other gains and losses increased from a gain of RMB9.5 million to a gain of RMB12.6 million. Such increase was mainly because (i) the government grant received by Nanyang Cijan Auto Shock Absorber Co., Ltd. in the current period decreased by RMB1.5 million as compared to the corresponding period of 2012; and (ii) the recovery of receivables improved, resulting from a reversal of RMB5.8 million in the current period to offset the provisions made in the previous period.

Selling and distribution expenses

Selling and distribution expenses increased by 21.4% from RMB12.6 million to RMB15.3 million. Such increase was primarily due to an increase in sales volume of our products, pushing up the transportation costs and the marketing expenses of such products.

Research and development expenses

The research and development expenses amounted to RMB7.3 million in the current period, which was similar to that of the corresponding period of 2012. Such expenses were for (i) the enhancement on the research of applying shock-absorber related technology for different types of vehicles; and (ii) additional development costs of shock-absorbers for newly-developed vehicles.

Administrative expenses

The administrative expenses increased by 22.5% from RMB20.0 million to RMB24.5 million. Such increase was mainly due to the increase in the wages, welfare, related social insurance premium and an expenditure concerning asset insurance for administrative staff.

Finance costs

The finance costs for the current period amounted to RMB6.5 million, which were similar to that of the corresponding period of 2012. During the reporting period, approximately RMB7.6 million (for the six months ended 30 June 2012: RMB4.3 million) of the interest expense had been capitalized as property under development in respect of the expansion project for Nanyang Xichuan production base.

Income tax expense

For the six months ended 30 June 2013, the Group's overall income tax expense was approximately RMB2.4 million, increased by RMB1.3 million or approximately 118.2% as compared with the corresponding period of 2012. The increase in income tax expense was mainly due to a significant increase in the amount of taxable income generated by the Nanyang Cijan Auto Shock Absorber Co., Ltd. for the six months ended 30 June 2013.

Net profit for the period and net profit margin

Profit for the period increased by 545.8% from RMB2.4 million to RMB15.5 million. The increase in the Group's net profit was mainly due to higher sales and gross profit for the period.

LIQUIDITY AND FINANCIAL RESOURCES

Net current liabilities

As at 30 June 2013, the Group's net current liabilities decreased to RMB71.6 million from RMB196.0 million as of 31 December 2012. Such decrease was primarily due to: (i) additional deposits of approximately RMB66.3 million resulting from the Group's new issuance of shares on 22 May 2013; and (ii) an increase of RMB66.9 million for the ending balance of long-term bank borrowings due after one year attributable to the implementation of a project in respect of production capacity expansion.

FINANCIAL POSITION AND BANK BORROWINGS

As at 30 June 2013, the Group's total cash and bank balances and restricted bank balances, most of which were denominated in RMB and HKD, amounted to approximately RMB266.9 million, representing an increase of approximately 274.3% as compared with that of RMB71.3 million, most of which were denominated in HKD and RMB, as at 31 December 2012. The increase was primarily attributable to the cash recovery from the operating activities, additional bank borrowings for expanding business and new issuance of shares for fund-raising.

As at 30 June 2013, the Group's total borrowings amounted to approximately RMB448.9 million, representing an increase of approximately 29.7% as compared with that of RMB346.2 million as at 31 December 2012. Out of the total borrowings, short-term bank borrowings due within one year amounted to approximately RMB308.0 million, representing an increase of approximately 13.2% as compared with that of RMB272.2 million as at 31 December 2012, while mid-to-long-term borrowings due after one year amounted to approximately RMB140.9 million, representing an increase of approximately 90.4% as compared with that of RMB74.0 million as at 31 December 2012.

As at 30 June 2013, the Group's gearing ratio, presented as a percentage of total borrowings and bills payable divided by total assets, was approximately 48.6% (31 December 2012: approximately 43.0%).

WORKING CAPITAL

As at 30 June 2013, the Group's gross inventories, mainly comprising raw materials, work-in-progress and finished products, amounted to approximately RMB82.5 million, representing an increase of 3.8% from approximately RMB79.5 million as at 31 December 2012. For the six months ended 30 June 2013, the average inventory turnover days were 64.2 days (for the six months ended 30 June 2012: 63.2 days). Inventory turnover days were arrived at by dividing the mean of the beginning and ending balances of inventory for the same period by cost of sales of the relevant period and multiplied by 180 days.

As at 30 June 2013, the Group's trade receivables amounted to approximately RMB214.7 million, representing an increase of 8.2% from approximately RMB198.4 million as at 31 December 2012. For the six months ended 30 June 2013, the average turnover days of trade receivables were 130 days (for the six months ended 30 June 2012: 149.9 days). The decrease in the turnover days of trade receivables was mainly because the Group raised the sales from OEM market customers while improving the recovery management of receivables.

As at 30 June 2013, the Group's trade payables amounted to approximately RMB181.9 million, representing a decrease of 3.5% from approximately RMB188.5million as at 31 December 2012. For the six months ended 30 June 2013, the average turnover days of trade payables were 146.6 days (for the six months ended 30 June 2012: 169.1 days). Trade payable turnover days are calculated by dividing the cost of sales for the period by the mean of the beginning and ending trade payable balances of the period and multiplied by 180 days. The decrease in the turnover days of trade payables was mainly because the relief of capital pressure allowed the Group to reduce the payment cycle for suppliers in order to improve the relationship with them and strive for long-lasting and favourable cooperation conditions.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

For the six months ended 30 June 2013, capital expenditures were approximately RMB32.1 million (for the six months ended 30 June 2012: RMB51.3 million). The Group's capital expenditures were primarily related to an acquisition of land use rights, construction of production facilities and expenditures for plant, machinery and equipment for the business expansion of its Nanyang Cijan production base. The Group has been financing its capital expenditures primarily through cash generated from operations and bank borrowings.

The Group will continue to expand its existing production facilities and construct new plants and research and development centres as part of its plan to expand production facilities. As at 30 June 2013, the Group had capital commitments for acquisition of plant and machinery of approximately RMB12.9 million (31 December 2012: RMB13.4 million).

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable interest rate of interest earned from restricted bank balances and bank balances. The Group's borrowings are at fixed interest rates and therefore, are not subject to fair value interest rate risk. No sensitivity analysis has been prepared for restricted bank balances and bank balances as the financial impact arising from the changes in interest rates was minimal for the six months ended 30 June 2012 and 2013. The Group monitors its interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

FOREIGN EXCHANGE RISK

The businesses of the Group are located in the PRC, and its major operating transactions are dominated in RMB. In addition to certain bank balances and other borrowings of the Group, and certain professional payables dominated in HK dollars primarily generated from our listing, as well as the daily operating expenses, which was dominated in Euro, incurred by a R&D centre in Italy, most of the assets and liabilities of the Group are dominated in RMB. Since RMB is not freely convertible, there exists the risk that the PRC Government may implement measures to interfere with the exchange rates, which in turn may have impact on the Group's net asset value, profit and the dividends declared to the extent that such dividends are subject to foreign exchange, and the Group has no hedging measures against such exchange risks. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

HUMAN RESOURCES

For the six months ended 30 June 2013, the Group had 1,414 employees (31 December 2012: 1,418 employees) with total remuneration and welfare benefits expenses amounting to approximately RMB34.8 million (for the six months ended 30 June 2012: RMB27.3 million). The Group's remuneration policy is primarily based on the job responsibilities, work experience and number of years of services of each employee and the prevailing market condition. The Group has also provided internal and external trainings and courses to our employees to encourage self-improvement and enhance their professional technical skills. The remuneration of the Directors will be determined based on their job duties and responsibilities, experience and the prevailing market condition.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed in the Company's extraordinary general meeting held on 19 October 2011, a share option scheme was approved and adopted (the "Scheme"). The Scheme will remain in force for a period of 10 years from the date of its adoption.

For the six months ended 30 June 2013, no share options were granted under the Scheme by the Company. In addition, as of 30 June 2013, no share options under the Scheme were outstanding.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2013, (i) the Group's certain buildings and production equipment with a net carrying amount of RMB76.2 million (31 December 2012: RMB38.5 million), (ii) the Group's leasehold land with a carrying amount of RMB125.4 million (31 December 2012: RMB88.9 million), (iii) part of the Group's trade receivables with a net carrying amount of RMB25.3 million (31 December 2012: RMB93.2 million) were pledged to secure the Group's bank loan facilities.

As at 30 June 2013, the Group's certain restricted bank balances with a carrying amount of RMB85.0 million (31 December 2012: RMB45.0 million) were pledged to secure the Group's bank bills due within six months, which were issued to suppliers as a pledge for the purchase of raw materials by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus dated 11 November 2011 (the "Prospectus") in respect of the global offering in November 2011 and the announcement in relation to the subscription of new shares dated 24 April 2013 made by the Company, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

For the six months ended 30 June 2013, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of the Stock Exchange on 23 November 2011. The aggregate net proceeds, after deducting underwriting fees and the related expenses payable in connection with the initial public offering, amounted to approximately HK$78.1 million. Please refer to the Prospectus issued on 11 November 2011 by the Company for details. As of 30 June 2013, the proceeds from the initial public offering available for and utilized by the Company are as follows:

	Net proceeds from the global offering	
Use of proceeds	**Available**	**Utilized**
	(HK$ million)	*(HK$ million)*
Acquisition and installation of production facilities for expansion	36.2	36.2
Construction of plants and buildings	22.7	22.7
Product research and development	18.7	18.7
Working capital injection	0.5	0.5
Total	78.1	78.1

USE OF PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES

The Company announced the completion of the subscriptions of new shares on 22 May 2013. The gross proceeds from the subscriptions amounted to HK$83.2 million. The net proceeds from the subscriptions of approximately HK$83.0 million will be used for developing the Group's automotive component business through investments and mergers and acquisitions as well as for general working capital. The Group is in the process of identifying and assessing opportunities and targets for investments and mergers and acquisitions. As at 30 June 2013, the Group had not entered into any legally-binding agreement. Where any investments and mergers and acquisitions become materialized, announcements will be made by the Company in accordance with the Listing Rules as and when applicable.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (for the six months ended 30 June 2012: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2013, the Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. None of the Directors is aware of any information which would reasonably indicate that the Company was not in compliance with the Corporate Governance Code during the period ended 30 June 2013.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") pursuant to Rules 3.21 and 3.22 of the Listing Rules, with written terms of reference in compliance with the requirements of the Corporate Governance Code in order to review and supervise the Group's financial reporting process and internal control. The Audit Committee comprises three independent non-executive Directors of the Company. The Audit Committee has reviewed the consolidated financial statements for the six months ended 30 June 2013 and the interim results announcement of the Group.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules has been adopted by the Company as the code of conduct for securities transactions by its Directors. Having made specific enquiries to the Directors and to the best of their knowledge, all Directors had complied with the required standards set out in the Model Code for the six months ended 30 June 2013.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or any of their respective associates (as defined under the Listing Rules) has any interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has any other conflict of interests with the Group as at the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2013.

SIGNIFICANT LEGAL PROCEEDINGS

For the six months ended 30 June 2013, the Group has not been involved in any significant legal proceedings or arbitration. To the best of the knowledge and belief of the Directors, there are no significant legal proceedings or claims pending or threatened against the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at http://bmu034089.chinaw3.com/. The interim report of the Company for the six months ended 30 June 2013, which contains all information as required by the Listing Rules, will be dispatched to shareholders of the Company and will be available on the above websites in due course.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2013 have been reviewed by Deloitte Touche Tohmatsu, the auditors of the Company, and the Audit Committee. They expressed no disagreement with the accounting policies and principles adopted by the Company.

APPRECIATION

I would like to express my sincere appreciation for the unremitted effort and dedication made by the Board, the management and all our staff members, as well as the continuous support from our shareholders, the government, business partners, professional advisers and loyal customers.

By Order of the Board
China Vehicle Components Technology Holdings Limited
Wilson Sea
Chairman

Hong Kong, the PRC
29 August 2013

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhao Zhijun, Mr. Wang Wenbo and Ms. Yang Weixia; three non-executive Directors, namely Mr. Wilson Sea (formerly known as Xi Chunying), Mr. Xie Qingxi and Mr. Fu Pengxu; and three independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. Li Zhiqiang and Mr. Zhang Jinhua.